

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2025

1 ACTIVITIES

Phoenix Power Company SAOG (“the Company”) is registered under the Commercial laws of the Sultanate of Oman as a Public Joint Stock Company and principal activities of the Company are to develop, finance, design, construct, operate, maintain, insure and own a power generating station and associated gas interconnection facilities and other relevant infrastructure.

The Company’s registered address is P O Box 96, Postal Code 102, Muscat, Sultanate of Oman. The Company’s principal place of business is located at Sur, Sultanate of Oman.

During the year 2015, Company proceeded with initial public offering (IPO). The promoting shareholders at the Company’s Extraordinary General Meeting held on 9 March 2015 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 511,910,511 shares for the public subscription. The Company closed its IPO on 8 June 2015 and its shares were listed on the Muscat Securities Market on 22 June 2015. The IPO proceeds and the related share issue expenses pertains to the promoting shareholders

The Company has entered into following significant agreements:

- (ا) Power Purchase Agreement (PPA) with Oman Power and Water Procurement Company SAOC (OPWP) granting the Company the right to generate electricity in Sur for a period of fifteen years commencing from the scheduled commercial operations date based on a tariff structure.
- (ب) Natural Gas Sales Agreement (NGSA) with the Integrated Gas Company SAOC of the Government of the Sultanate of Oman (IGC) for the purchase of natural gas for fifteen years at a pre-determined price.
- (ج) Usufruct Agreement with the Government of the Sultanate of Oman for grant of Usufruct rights over the plant site for Twenty Five years.
- (د) Agreement with local and international banks for long-term loan facilities and interest rate hedge arrangements.
- (هـ) Agreement with Siemens LLC Oman for long term service contract for maintenance service of the gas turbines.
- (و) Agreement with Siemens Aktiengesellschaft for long term supply contract for supplying the spare parts of gas turbines.
- (ز) Agreement with Phoenix Operation and Maintenance Company LLC for the operation and maintenance of the Sur IPP Project.
- (ح) Agreement with Daewoo Engineering and Construction Co. Ltd for engineering, procurement and construction of the Sur IPP Project.
- (ط) Project Founders’ Agreement dated 13 July 2011 made between Electricity Holding Company SAOC, Marubeni Corporation; Chubu Electric Power Co; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.
- (ي) Shareholders’ Agreement dated 13 July 2011, amended and restated dated 28 November 2011 made between Axia Power Holdings B.V; Chubu Electric Power Sur B.V; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2025

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and relevant requirements of the Commercial Companies Law of 2019, and the Financial Services Authority of the Sultanate of Oman.

Items included in the financial statements of the Company are measured and presented in US Dollars (US \$) being the currency of the primary economic environment in which the Company operates.

These financial statements are presented in US Dollars and Rial Omani (RO), rounded to the nearest thousand. The RO amounts shown in the financial statement have been translated using exchange rate of US \$ 1 = RO 0.3845 and are shown for the convenience of the reader.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

These financials includes audited figures for 31st December 2024. These financials includes unaudited figures for 30 June 2025 are unaudited.

2.2 Accounting policies

The significant accounting policies applied by the Company in these unaudited financial statements are consistent with those applied by the Company in its financial statements as of 31 December 2024.

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2025

3 OPERATING REVENUE

	30 June 2025 RO'000	30 June 2025 US\$'000	30 June 2024 RO'000	30 June 2024 US\$'000
Capacity charges	34,081	88,638	33,845	88,023
Energy charges	48,890	127,152	46,108	119,918
	<u>82,971</u>	<u>215,790</u>	<u>79,953</u>	<u>207,941</u>

4 OPERATING COSTS

	30 June 2025 RO'000	30 June 2025 US\$'000	30 June 2024 RO'000	30 June 2024 US\$'000
Gas consumption	46,695	121,444	43,991	114,410
Depreciation (note 8-9)	8,056	20,952	8,056	20,952
Operation and maintenance cost	4,832	12,568	5,042	13,113
Contractual services maintenance cost	3,738	9,723	3,980	10,350
Insurance and other costs	734	1,910	678	1,763
Connection and license fee	50	127	39	101
	<u>64,105</u>	<u>166,724</u>	<u>61,786</u>	<u>160,689</u>

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5 GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2025 RO '000	30 June 2025 US \$'000	30 June 2024 RO '000	30 June 2024 US \$'000
Staff costs and other benefits	437	1,137	373	970
Legal and professional charges	92	239	111	288
Office related expenses	9	23	6	16
Depreciation (note 8-9)	18	48	18	48
Other expenses	285	741	266	690
	<u>841</u>	<u>2,188</u>	<u>774</u>	<u>2,012</u>

6 FINANCE COSTS

	30 June 2025 RO'000	30 June 2025 US\$'000	30 June 2024 RO'000	30 June 2024 US\$'000
Interest and swap settlements	3,807	9,900	4,827	12,555
Amortisation of deferred finance cost	216	561	269	699
Asset retirement obligation - unwinding of discount	141	367	135	350
Interest expense for lease liability	192	499	183	475
Debt service commission	46	120	37	97
Exchange loss / (Gain)	9	24	28	74
	<u>4,411</u>	<u>11,471</u>	<u>5,479</u>	<u>14,250</u>

FINANCE INCOME

Finance Income	<u>188</u>	<u>490</u>	<u>288</u>	<u>748</u>
	<u>188</u>	<u>490</u>	<u>288</u>	<u>748</u>

6 (a) OTHER INCOME

Other Income represents the tax reimbursement received from PWP in connection with Change of Law claims.

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7 INCOME TAX

Recognized in the income statement in the current year

	<i>2025</i> <i>RO'000</i>	<i>2025</i> <i>US\$'000</i>	<i>2024</i> <i>RO'000</i>	<i>2024</i> <i>US\$'000</i>
Income tax expense	<u>(2,270)</u>	<u>(5,905)</u>	<u>(907)</u>	<u>(2,359)</u>
	<u>(2,270)</u>	<u>(5,905)</u>	<u>(907)</u>	<u>(2,359)</u>

8 PROPERTY, PLANT AND EQUIPMENT

	Plant Building RO'000	Plant and Equipment RO'000	Strategic spares RO'000	Asset Retirement RO'000	Other Assets RO'000	Total RO'000
Cost						
At 1 January 2025	<u>83,876</u>	<u>518,087</u>	<u>10,809</u>	<u>3,249</u>	<u>296</u>	<u>616,317</u>
At 30 June 2025	<u>83,876</u>	<u>518,087</u>	<u>10,809</u>	<u>3,249</u>	<u>296</u>	<u>616,317</u>
Accumulated depreciation						
At 1 January 2025	20,914	130,264	7,427	986	240	159,831
Charge during the period	<u>1,223</u>	<u>6,476</u>	<u>185</u>	<u>45</u>	<u>8</u>	<u>7,937</u>
At 30 June 2025	<u>22,137</u>	<u>136,740</u>	<u>7,612</u>	<u>1,031</u>	<u>248</u>	<u>167,768</u>
Net book value						
At 30 June 2025	<u>61,739</u>	<u>381,347</u>	<u>3,197</u>	<u>2,218</u>	<u>48</u>	<u>448,549</u>
At 31 December 2024	<u>62,962</u>	<u>387,823</u>	<u>3,382</u>	<u>2,263</u>	<u>56</u>	<u>456,486</u>

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NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2025

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant building	Plant and	Strategic	Asset	Other	Total
Cost	US\$'000	equipment	spares	retirement	assets	US\$'000
		US\$'000	US\$'000	US\$'000	US\$'000	
At 1 January 2025	218,142	1,347,432	28,113	8,450	761	1,602,898
At 30 June 2025	218,142	1,347,432	28,113	8,450	761	1,602,898
Accumulated depreciation						
At 1 January 2025	54,395	338,790	19,305	2,571	622	415,683
Charge during the period	3,181	16,843	482	118	22	20,646
At 30 June 2025	57,576	355,633	19,787	2,689	644	436,329
Net book value						
At 30 June 2025	160,566	991,799	8,326	5,761	117	1,166,569
At 31 December 2024	168,747	1,008,642	8,808	5,879	139	1,187,215

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS ON 30 JUNE 2025,

9 RIGHT TO USE ASSETS

Cost	Land Lease RO '000	Connection Fee RO '000	PPC Office RO '000	Total RO '000
Opening balance	1,814	6,995	102	8,911
Additions during the period	-	-	-	-
At 30 June 2025	1,814	6,995	102	8,911
Accumulated depreciation				
Opening balance	312	1,201	32	1,545
Charge during the period	26	100	10	136
At 30 June 2025	338	1,301	42	1,681
At 30 June 2025	1,476	5,694	60	7,230
At 31 December 2024	1,502	5,794	70	7,366

9 RIGHT TO USE ASSETS

Cost	Land Lease US\$'000	Connection Fee US\$'000	PPC Office US\$'000	Total US\$'000
Opening balance	4,718	18,193	264	23,175
Additions during the period	-	-	-	-
At 30 June 2025	4,718	18,193	264	23,175
Accumulated depreciation				
Opening balance	810	3,124	84	4,018
Charge during the period	68	260	26	354
At 30 June 2025	878	3,384	110	4,372
Net book value				
At 30 June 2025	3,840	14,809	154	18,803
At 31 December 2024	3,908	15,069	180	19,157

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS ON 30 JUNE 2025,

10 TRADE AND OTHER RECEIVABLES

	2025 RO'000	2025 US\$'000	2024 RO'000	2024 US\$'000
Trade receivables	23,958	62,309	8,076	21,005
Other receivables	63	164	586	1,523
Prepayment	169	440	166	428
	<u>24,190</u>	<u>62,913</u>	<u>8,828</u>	<u>22,956</u>

11 INVENTORIES

Fuel inventory	5,377	13,985	5,543	14,416
Maintenance spares	6,071	15,790	5,974	15,536
	<u>11,448</u>	<u>29,775</u>	<u>11,517</u>	<u>29,952</u>

12 BANK BALANCES

	2025 RO'000	2025 US\$'000	2024 RO'000	2024 US\$'000
Cash and Bank balances	14,609	37,995	13,456	34,997
Short term deposit	-	-	7,807	20,303
	<u>14,609</u>	<u>37,995</u>	<u>21,263</u>	<u>55,300</u>

13 (a) SHARE CAPITAL

	2025 RO'000	2025 US\$'000	2024 RO'000	2024 US\$'000
Issued and fully paid up share capital	<u>146,260</u>	<u>380,390</u>	<u>146,260</u>	<u>380,390</u>

13 (b) DIVIDEND PAID, PAYABLE AND PROPOSED

Pursuant to shareholders' resolution dated 18 March 24, the Board of Directors in their meetings held on 24 April 2024 and 23 October 2024 approved cash dividend of 3.25 Baisas per share and 2.0 Baisas per share, respectively for the year ended 31 December 2023 Accordingly, dividend amounting to USD 12.36 million (RO 4.75 million) was paid in July 2024 and USD 7.6 million (RO 2.92 million) is payable as of 31 December 2024 which was paid subsequently in January 2025.

Pursuant to the shareholders' resolution dated 18th March 2025, the Board of Directors proposed a cash dividend to the shareholders of the Company, which will be paid in July 2025 and January 2026 for the year ended 31st December 2024, provided that the aggregate amount of such dividend shall not exceed 5.50 baizas per share.

The board of directors resolved on 30 April 2025 to distribute cash dividend of Baizas 3.50 per share, out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2024 to the shareholders of the Company who are registered in the Company's shareholders' register with the Muscat Clearing & Depository Company SAOC as on 28 July 2025.

13 (c) LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of annual profit of the Company is required to be transferred to legal reserve until the reserve is equal to one third of the issued share capital of the Company. The reserve is not available for distribution.

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14 INTEREST BEARING LOANS AND BORROWINGS

	2025	2025	2024	2024
	RO'000	US\$'000	RO'000	US\$'000
Secured term loan from commercial banks	38,638	100,490	43,905	114,187
Secured term loan from Japan Bank for International Cooperation	73,764	191,845	83,818	217,993
Secured term loan under NEXI facilities	19,319	50,245	21,952	57,093
	131,721	342,580	149,675	389,273
Less : Unamortised transaction costs	(748)	(1,949)	(965)	(2,510)
	130,973	340,631	148,710	386,763
Less : Current portion of loans	(35,319)	(91,856)	(36,572)	(95,117)
Non-current portion of loans	95,654	248,775	112,138	291,646

The Company had entered into secured term loan agreements in relation to the Sur IPP Project. The total amount of the term loan is US\$ 1,194 million with stand by facility of US\$ 38 million at SOFR plus applicable margin.

The Company started drawdowns in 2012. The Company has fully drawn down the facility in 2014. The loans will be repayable in instalments of several denominations, every sixth month from 28 December 2014, the final instalment will be due on 28 December 2028.

The loan agreements contain certain restrictive covenants, which include, amongst other restrictions over debt service, pattern of shareholding, payment of dividends, asset sales/transfers, amendment to significant agreements entered by the Company and creation of additional security under charge.

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS ON 30 JUNE 2025,

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2025 RO'000	2025 US\$'000	2024 RO'000	2024 US\$'000
Positive fair value:				
Interest rate swap agreements				
Fair value of hedged	1,185	3,081	3,093	8,044
Fair value of derivatives	1,185	3,081	3,093	8,044
Less : Income tax effect	(178)	(462)	(464)	(1,207)
	1,007	2,619	2,629	6,837

The current and noncurrent portion of fair value of derivatives is as follows:

	2025 RO'000	2025 US\$'000	2024 RO'000	2024 US\$'000
Non-current portion	1,185	3,081	3,093	8,044
Current portion	-	-	1,439	3,743
	1,185	3,081	4,532	11,787

Negative fair value:

Forward foreign exchange contracts				
Fair value of hedged	3,590	9,336	5,953	15,482
Fair value of derivatives	3,590	9,336	5,953	15,482
Less : Income tax effect	(538)	(1,400)	(893)	(2,322)
	3,052	7,936	5,060	13,160

The current and noncurrent portion of fair value of derivatives is as follows:

	2025 RO'000	2025 US\$'000	2024 RO'000	2024 US\$'000
Non-current portion	3,590	9,336	5,953	15,482
Current portion	-	-	1,601	4,163
	3,590	9,336	7,554	19,645

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS ON 30 JUNE 2025,

16 PROVISION FOR ASSET RETIREMENT OBLIGATION

	2025	2025	2024	2024
	RO'000	US\$'000	RO'000	US\$'000
As at 1 January	5,645	14,682	5,376	13,983
Unwinding of discount	141	367	269	699
As at 31 December	5,786	15,049	5,645	14,682

17 ACCOUNTS PAYABLE AND ACCRUALS

	2025	2025	2024	2024
	RO'000	US\$'000	RO'000	US\$'000
Trade accounts payable	10,764	27,996	7,901	20,550
Amounts due to related parties (note 19)	2,270	5,905	3,400	8,842
Accrued expenses	17,869	46,463	9,480	24,648
	30,903	80,364	20,781	54,040

18 Finance Lease liabilities

	2025	2025	2024	2024
	RO'000	US\$'000	RO'000	US\$'000
Land	1,641	4,268	1,706	4,438
Connection Fee	6,648	17,290	6,497	16,898
Office	68	176	66	171
	8,357	21,734	8,269	21,507
Non-current portion	7,828	20,359	7,740	20,132
Current portion	529	1,375	529	1,375
	8,357	21,734	8,269	21,507

19 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions and are entered into at terms and conditions which the management considers to be comparable with those adopted for arm's length transactions with third parties. Transactions with related parties are as follows:

Due to related parties	2025	2025	2024	2024
	RO'000	US\$'000	RO'000	US\$'000
Phoenix Operation and Maintenance Company LLC (POMCo)	<u>2,270</u>	<u>5,905</u>	<u>3,400</u>	<u>8,842</u>
Income statement transactions				
	2025	2025	2024	2024
	RO'000	US\$'000	RO'000	US\$'000
Shareholders	<u>33</u>	<u>86</u>	<u>33</u>	<u>87</u>
Other related parties :				
Operation and Maintenance Cost (POMCo)	<u>4,832</u>	<u>12,568</u>	<u>5,042</u>	<u>13,113</u>

20 COMMITMENTS

The Company has entered into agreements for the purchase of natural gas with the Integrated Gas Company, Usufruct rights over plant site with the Government of Sultanate of Oman, long-term supply of spare parts of gas turbines with Siemens Aktiengesellschaft, maintenance service of gas turbines with Siemens Energy LLC Oman, operation and maintenance of the Sur IPP Project with Phoenix Operation and Maintenance Company LLC.

21 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2024.

22 COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary to conform to the current period presentation.